FIFTY-EIGHTH ANNUAL REPORT

OF THE

MISSISSIPPI CENTRAL RAILROAD COMPANY

FOR THE

YEAR ENDED DECEMBER 31, 1965

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MISSISSIPPI CENTRAL RAILROAD COMPANY

FOR THE

YEAR ENDED DECEMBER 31, 1965

DIRECTORS

Max N. Carol	Philadelphia, Pa.
Edward J. Caughlin	Merion, Pa.
Frank E. Hemelright	Scranton, Pa.
H. Ober Hess	Gladwyne, Pa.
Harold E. Levine	Boston, Mass.
Edward J. Lynett	Scranton, Pa.
Gerald B. Payne	Clarks Green, Pa.
Cyrus J. Quinn	New York, N. Y.
Wm. J. Rankin	North Hills, Pa.
Edward W. Warren	Scranton, Pa.
Albert B. Zink	Malvern, Pa.

OFFICERS

Edward W. Warren, President	Scranton, Pa.
Frank E. Hemelright, Vice-President	Scranton, Pa.
M. Claire Barrett, Secretary and Treasurer	Scranton, Pa.
S. J. Massey, Jr., Vice-President and General Manager	Hattiesburg, Miss.
W. T. Cosby, Assistant General Manager and Auditor	Hattiesburg, Miss.
Riley E. Davis, Traffic Manager	Hattiesburg, Miss.
J. S. Montgomery, Assistant Traffic Manager	Hattiesburg, Miss.
R. W. Fox, Purchasing Agent	Hattiesburg, Miss.

TRANSFER OFFICE

Northeastern National Bank Building — Scranton, Pa.

REGISTRAR

Northeastern Pennsylvania National Bank & Trust Co. — Scranton, Pa.

ANNUAL MEETING

Second Tuesday in February, Hattiesburg, Miss.

Hattiesburg, Mississippi

March 1, 1966

To The Stockholders of the Mississippi Central Railroad Company

The following report is submitted for the year 1965.

Freight revenues decreased $24,863, 1.40%, and carloads handled decreased 1,060, 4.52%, under 1964. National carloadings increased 1.81%.

Operating expenses decreased $44,960 or 2.80%. Increases in labor and H&W costs were more than offset by decreases in cross ties applied, joint facilities expenses at Brookhaven and Natchez and settlements of crossing accident suits. An appraisal cost of $17,125 was included in 1965 figures.

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Taxes increased $5,950 due principally to increase in payroll and state and franchise taxes.

Hire of freight cars increased $16,728. Cars held during the Johns-Manville Products Corporation strike, use of covered hopper cars on inbound material to Johns-Manville and increase in outbound business for International Paper Company were the principal causes for the increase.

Net income after fixed charges was a deficit of $3,645 in 1965 compared with a deficit of $20,791 in 1964, an increase of $17,146.

First mortgage bonds of $29,000 par value were acquired and cancelled through the Sinking Fund. The lease-purchase contract on the Jackson Tamper unit was reduced $4,150. Note was given to First National Bank in the amount of $90,000 to cover part of the cost of warehouse built and leased to Hattiesburg Cash and Carry Building Materials, Inc. This note was reduced $3,902 during 1965.

The principal changes in our property account were construction of new warehouse at Hattiesburg, purchase of secondhand dragline and construction of 1,798 feet of track to serve new industries. There were 2,284 feet of side track retired, eleven parcels of land sold with proceeds of $27,365 deposited into the Sinking Fund, one diesel-electric locomotive sold, and five wood rack cars retired.

There were no serious highway crossing accidents or derailments during the year.

Announcement was made in 1965 that St. Regis Paper Company would build a paper and pulpboard mill at Ferguson on our railroad. Construction of the mill has already begun and the first phase is scheduled for completion in mid-1967 and the second phase in 1968.

There were 193 stockholders when the stock book was closed on January 7, 1966, prior to the Annual Meeting. Average number of employees during 1965 was 163.

Respectfully submitted,

S. J. Massey, Jr.,
Vice-President and General Manager

TABLE OF CONTENTS

A. Income Account.

B. Balance Sheet.

C. Statement of Retained Income and Notes to Financial Statements.

D. Statement of Operating Expenses.

E. Traffic and Mileage Statistics.

F. Statement of Classified Tonnage.

G. Inventory of Equipment and Mileage Operated.

TABLE A

MISSISSIPPI CENTRAL RAILROAD COMPANY

STATEMENT OF INCOME

For the Years Ended December 31, 1965 and 1964

	1965	1964	Increase (Decrease)
Railway Operating Income:			
Railway operating revenues	$1,841,746	$1,851,422	$(9,676)
Railway operating expenses	1,560,529	1,605,489	(44,960)
Net revenue from railway operations	281,217	245,933	35,284
Railway tax accruals (see Note 1)	147,580	141,630	5,950
Railway operating income	133,637	104,303	29,334
Rent Income:			
Rent from locomotives	11,118	6,671	4,447
Rents Payable:			
Hire of freight cars	123,287	106,560	16,727
Rent for work equipment		426	(426)
Joint facility rents	25,585	24,165	1,420
Total rents payable	148,872	131,151	17,721
Net rents payable	137,754	124,480	13,274
Net Railway Operating Income (Loss)	(4,117)	(20,177)	16,060
Other Income:			
Miscellaneous rent income	7,516	7,685	(169)
Income from nonoperating property	6,612	1,458	5,154
Interest income	9,763	12,090	(2,327)
Miscellaneous income	4,400	3,236	1,164
Total other income	28,291	24,469	3,822
Total Income	24,174	4,292	19,882
Miscellaneous Deductions from Income:			
Miscellaneous rents	107	249	(142)
Miscellaneous tax accruals	235	236	(1)
Miscellaneous income charges	1,121	507	614
Total miscellaneous deductions from income	1,463	992	471
Income Available for Fixed Charges	22,711	3,300	19,411
Fixed Charges - Interest on funded debt	26,355	24,091	2,264
Net Income (Loss)	$ (3,644)	$ (20,791)	$ 17,147

The accompanying Notes to Financial Statements are an integral part of this statement.

TABLE B

MISSISSIPPI CENTRAL RAILROAD COMPANY

Balance Sheet, December 31, 1965 and 1964

ASSETS	1965	1964	Increase (Decrease)
Current Assets:			
Cash	$ 299,870	$ 144,683	$ 155,187
Temporary cash investments—United States Government obligations—at amortized cost which approximates market value	270,664	296,366	(25,702)
Net balance receivable from agents	74,362	31,213	43,149
Miscellaneous accounts receivable	15,423	21,473	(6,050)
Accrued accounts receivable		14,600	(14,600)
Working fund advances	1,657	1,657	—
Prepayments	12,585	13,445	(860)
Material & supplies—at average cost	183,504	175,425	8,079
Other current assets	286		286
Total current assets	858,351	698,862	159,489
Special Fund—Sinking fund	2,220	3,855	(1,635)
Properties:			
Road property	5,684,099	5,635,073	49,026
Equipment property	1,708,880	1,822,494	(113,614)
Total transportation property	7,392,979	7,457,567	(64,588)
Less—Accrued depreciation:			
Road property	470,615	436,140	34,475
Equipment property	792,704	773,836	18,868
Total accrued depreciation	1,263,319	1,209,976	53,343
Total transporation property, less accrued depreciation	6,129,660	6,247,591	(117,931)
Miscellaneous physical property	116,026	7,853	108,173
Less—Accrued depreciation: miscellaneous physical property	1,124		1,124
Total miscellaneous physical property, less accrued depreciation	114,902	7,853	107,049
Total properties, less accrued depreciation	6,244,562	6,255,444	(10,882)
Other Assets and Deferred Charges:			
Other assets	3,229		3,229
Deferred charges	378	7,422	(7,044)
Total other assets and deferred charges	3,607	7,422	(3,815)
Total	$7,108,740	$6,965,583	$ 143,157

The accompanying Notes to Financial Statements are an integral part of this statement.

TABLE B (Continued)

MISSISSIPPI CENTRAL RAILROAD COMPANY

Balance Sheet, December 31, 1965 and 1964

LIABILITIES AND SHAREHOLDERS' EQUITY	1965	1964	Increase (Decrease)
Current Liabilities:			
Traffic and car-service balances	$123,454	$ 59,934	$ 63,520
Audited accounts and wages payable	122,560	156,678	(34,118)
Miscellaneous accounts payable	394	851	(457)
Unmatured interest accrued	5,410	5,700	(290)
Accrued accounts payable	96,173	103,012	6,839
Other taxes accrued	Dr. 3,791	Dr. 4,041	250
Other current liabilities	50,236	18,610	31,626
Total current liabilities	394,436	340,744	53,692
Long-term Debt Due Within One Year:			
Funded Debt:			
First Mortgage 4% Bonds	3,000	6,000	(3,000)
First Mortgage Note To Bank	7,015		7,015
Equipment Obligations	4,487	4,150	337
Total long-term debt due within one year	14,502	10,150	4,352
Long-term Debt Due After One Year:			
Funded Debt:			
First Mortgage 4% Bonds	538,000	564,000	(26,000)
First Mortgage Note To Bank	79,082		79,082
Equipment obligation	12,233	16,720	(4,487)
Total long-term debt due after one year	629,315	580,720	48,595
Other Liabilities and Deferred Credits:			
Other liabilities	4,932	2,820	2,112
Deferred credits	1,795	1,320	475
Total other liabilities and deferred credits	6,727	4,140	2,587
Shareholders' Equity:			
Capital stock:			
Common—authorized and outstanding, 39,400 shares of a par value of $100 each	3,940,000	3,940,000	—
First preferred, non-cumulative 5½% of a par value of $10 each—authorized, 111,210 shares; outstanding, 109,742 shares	1,097,420	1,097,420	—
Total capital stock	5,037,420	5,037,420	—
Retained income—including $2,352 and $3,207 appropriated for sinking fund reserves in 1965 and 1964 respectively	1,026,340	992,409	33,931
Total shareholders' equity	6,063,760	6,029,829	33,931
Total	$7,108,740	$6,965,583	$ 143,157

The accompanying Notes to Financial Statements are an integral part of this statement.

TABLE C

MISSISSIPPI CENTRAL RAILROAD COMPANY

Statement of Retained Income

For the Years Ended December 31, 1965 and 1964

	1965	1964	Increase (Decrease)
Credit Balance at Beginning of Year	$ 992,409	$1,007,294	$(14,885)
Credit—Net profit from sale of property (net of applicable income taxes)	31,010	6,331	24,679
Total	1,023,419	1,013,625	9,794
Debits:			
Debit balance transferred from income	3,644	20,791	(17,147)
Excess of book value of property accounts over I.C.C. valuation	Cr. 6,565	425	(6,990)
Net debits	Cr. 2,921	21,216	(24,137)
Credit Balance At End Of Year	$1,026,340	$ 992,409	$ 33,931

The accompanying Notes to Financial Statements are an integral part of this statement.

HASKINS & SELLS
Certified Public Accountants

906 Hibernia Bank Building
New Orleans, La. 70112

ACCOUNTANTS' OPINION

Mississippi Central Railroad Company:

We have examined the balance sheet of Mississippi Central Railroad Company as of December 31, 1965 and the related statements of income and of retained income for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The financial statements described above have been prepared on a going-concern basis and do not reflect any loss which would result from the proposed sale of the assets of the Company, as described in Note 1 to the financial statements.

As explained in Note 3 to the financial statements, no provision has been made for various claims filed against the Company, as the amounts, if any, which the Company may ultimately have to pay are not now determinable.

In our opinion, except for and subject to the effect of the matters mentioned in the two preceding paragraphs, the accompanying financial statements present fairly, on a going-concern basis, the financial position of the Company at December 31, 1965 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

HASKINS & SELLS

February 4, 1966

MISSISSIPPI CENTRAL RAILROAD COMPANY

Notes to Financial Statements

1. On July 26, 1965, the Company entered into an agreement of sale with Illinois Central Railroad Company, whereby the latter agreed to acquire for $2,000,000.00 all of the Company's net assets, excluding its First Mortgage 4% 30 year Bonds and any liabilities to stockholders of the Company. This agreement cannot be consummated until it has been approved by a two-thirds vote of the preferred and common stockholders of the Company, by the Interstate Commerce Commission, and by any other regulatory body having jurisdiction.

2. The current cost of repairs and renewals of parts of the track structure is charged to maintenance expense, and additions and betterments to the structures are capitalized. Provision for depreciation has been made as to other classes of transportation property. Charges in 1965 for depreciation of road and equipment property and for repairs and renewals of the track structure amounted to $102,812 and $269,358 respectively; comparable charges for 1964 were $100,064 and $286,388 respectively.

3. The Company does not carry public liability insurance for personal injuries and certain types of property damage; various claims for injuries and damages had been filed against the Company or are pending at December 31, 1965. No provision for such claims has been made in the Company's financial statements of December 31, 1965 as the amount of the Company's liability, if any, is not determinable at this date.

TABLE D

Comparative Statement of Operating Expenses for Years Ended December 31, 1965 and 1964

	1965	1964
Maintenance of Way and Structures		
Superintendence	$ 36,663	$ 34,006
Roadway Maintenance	37,845	31,970
Bridges, Trestles and Culverts	37,755	44,355
Ties	73,998	92,286
Rails	2,470	742
Other Track Material	17,826	24,809
Ballast	5,249	6,294
Track Laying and Surfacing	169,815	162,258
Fences and Signs	1,515	1,724
Station and Office Buildings	8,464	2,059
Roadway Buildings	863	2,162
Fuel Stations	229	429
Shops and Enginehouses	5,436	9,485
Communication Systems	2,290	3,504
Signals and Interlockers	1,161	1,433
Road Property-Depreciation	32,782	31,457
Retirements-Road	1,996	500
Roadway Machines	12,573	11,691
Dismantling Retired Road Property	1,619	327
Small Tools and Supplies	4,228	3,967
Public Improvements-Maintenance	3,067	2,477
Injuries to Persons	1,129	4,643
Insurance	2,712	2,908
Stationery and Printing	430	465
Employees H&W Benefits	13,625	13,082
Maint'g Joint Tracks, Yds. & Other Facilities-Dr.	13,816	20,573
Total	$ 489,556	$ 509,606
Maintenance of Equipment		
Superintendence	$ 12,137	$ 11,949
Shop Machinery	2,998	3,390
Power Plant Machinery	65	69
Shop and Power Plant Machinery-Depreciation	2,669	2,761
Other Locomotives-Repairs	57,447	56,084
Freight Train Cars-Repairs	77,432	87,006
Work Equipment-Repairs	1,407	2,893
Miscellaneous Equipment-Repairs	3,442	3,149
Dismantling Retired Equipment	—	113
Equipment-Depreciation	67,362	65,846
Injuries to Persons	1,380	269
Insurance	6,519	7,229
Stationery and Printing	540	852
Employees H&W Benefits	4,545	5,149
Joint Maintenance of Equipment Expenses-Dr.	2,805	11,114
Other Expenses	—	41
Total	$ 240,748	$ 257,914
Traffic		
Superintendence	$ 60,895	$ 62,134
Outside Agencies	89,674	91,517
Advertising	870	607
Traffic Associations	2,752	2,526
Insurance	230	202
Stationery and Printing	10,000	11,338
Employees H&W Benefits	399	66
Total	$ 164,820	$ 168,390

TABLE D (Continued)

	1965	1964
Transportation		
Superintendence	$ 29,010	$ 28,297
Dispatching Trains	9,235	10,965
Station Employees	66,896	68,324
Weighing and Inspection Bureaus	773	661
Station Supplies and Expenses	4,751	4,587
Yard Masters and Yard Clerks	11,534	10,719
Yard Conductors and Brakemen	51,206	47,686
Yard Enginemen	31,347	30,757
Yard Switching Fuel	3,569	3,390
Lubricants for Yard Locomotives	254	199
Other Supplies for Yard Locomotives	133	140
Enginehouse Expenses-Yard	2,342	2,221
Yard Supplies and Expenses	956	617
Operating Joint Yards and Terminals-Dr.	35,014	32,546
Train Enginemen	71,941	71,090
Train Fuel	46,508	48,296
Lubricants for Train Locomotives	4,628	4,215
Other Supplies for Train Locomotives	1,026	1,228
Enginehouse Expenses-Train	8,269	8,461
Trainmen	99,886	95,695
Train Supplies and Expenses	10,742	7,249
Crossing Protection	322	266
Employees H&W Benefits	12,390	8,684
Stationery and Printing	2,637	6,276
Other Expenses	98	—
Operating Joint Tracks and Facilities-Dr.	29,196	26,734
Insurance	4,773	5,808
Clearing Wrecks	1,607	4,191
Damage to Property	157	305
Damage to Livestock on Right-of-Way	1,603	2,237
Loss and Damage-Freight	6,946	6,916
Injuries to Persons	3,065	26,830
Total	$ 552,814	$ 565,590
General		
Salaries and Expenses of General Officers	$ 10,111	$ 8,827
Salaries and Expenses of Clerks and Attendants	55,650	61,399
General Office Supplies and Expenses	6,119	5,490
Law Expenses	7,672	10,845
Insurance	143	133
Employees H&W Benefits	723	66
Pensions and Gratuities	1,856	1,710
Stationery and Printing	3,337	5,646
Other Expenses	26,700	8,752
General Joint Facilities-Dr.	280	1,121
Total	$ 112,591	$ 103,989
Recapitulation		
Maintenance of Way and Structures	$ 489,556	$ 509,606
Maintenance of Equipment	240,748	257,914
Traffic	164,820	168,390
Transportation	552,814	565,590
General	112,591	103,989
Total	$1,560,529	$1,605,489

TABLE E

Traffic and Mileage Statistics

Years Ended December 31, 1965 and 1964

	1965	1964
Freight Traffic		
Miles of road operated—average	148.38	148.38
Freight revenue	$ 1,753,721	$ 1,778,584
Revenue tons carried	972,380	991,027
Revenue ton-miles	97,566,206	103,146,167
Freight train-miles, ordinary	124,222	125,784
Freight car-miles, loads	2,316,771	2,483,255
Freight car-miles, empties	1,205,481	1,252,864
Revenue per ton	$ 1.80	$ 1.79
Revenue per ton-miles, cents	1.80	1.72
Revenue per train-mile	$ 14.12	$ 14.14
Freight revenue per mile of road operated	$ 11,819	$ 11,987
Average haul per revenue ton (miles)	100.34	104.08
Ton-miles (non-revenue included) per train-mile	788	821
Ton-miles (non-revenue incl.) per loaded car-mile	42.23	41.58
Revenue ton-miles per mile of road operated	657,543	695,149
Loaded car miles per train-mile	18.65	19.74
Empty car-miles per train-mile	9.70	9.96
Total car-miles per train-mile	28.35	29.70
Operating revenues per mile of road operated	$ 12,412	$ 12,478
Operating expenses per mile of road operated	10,517	10,820
Net operating revenue per mile of road operated	1,895	1,658

TABLE F

Statement of Classified Tonnage

Year 1965

Description	Tons	Per Cent of Total
Farm products	20,357	2.09
Forest products	668	.07
Fresh fish and other marine products	978	.10
Metallic ores	1,342	.14
Coal	779	.08
Chemical and fertilizer materials	32,380	3.33
Miscellaneous nonmetallic minerals, except fuels	24,079	2.48
Other nonmetallic minerals, except fuels	42,418	4.36
Ordnance and accessories	724	.07
Food and kindred products	47,328	4.87
Tobacco products	260	.03
Basic textiles	574	.06
Pulpwood, piling, posts, logs, bolts, etc.	75,847	7.80
Lumber and dimension stock	75,559	7.77
Other lumber and wood products, except furniture	7,302	.75
Furniture and fixtures	1,003	.10
Pulp and pulp mill products	45,980	4.73
Paperboard, pulpboard and fiberboard	37,913	3.90
Building paper and building board	53,548	5.51
Other pulp, paper and allied products	26,120	2.69
Printed matter	54	.01
Industrial, inorganic and organic chemicals	167,063	17.18
Gum and wood chemicals	39,115	4.02
Other chemicals and allied products	42,688	4.39
Petroleum and coal products	55,526	5.71
Rubber and miscellaneous plastic products	3,442	.36
Concrete, gypsum and plaster products	8,538	.88
Abrasives, asbestos and misc. mineral products	43,881	4.51
Other stone, clay and glass products	29,504	3.03
Primary metal products	50,013	5.14
Fabricated metal products	6,074	.63
Machinery, except electrical	814	.08
Electrical machinery	573	.06
Transportation equipment	393	.04
Waste and scrap materials	28,204	2.90
Miscellaneous freight shipments	858	.09
Containers, shipping, returned empty	395	.04
Total carload traffic	972,294	99.99
Less than carload traffic	86	.01
Grand Total	972,380	100.00

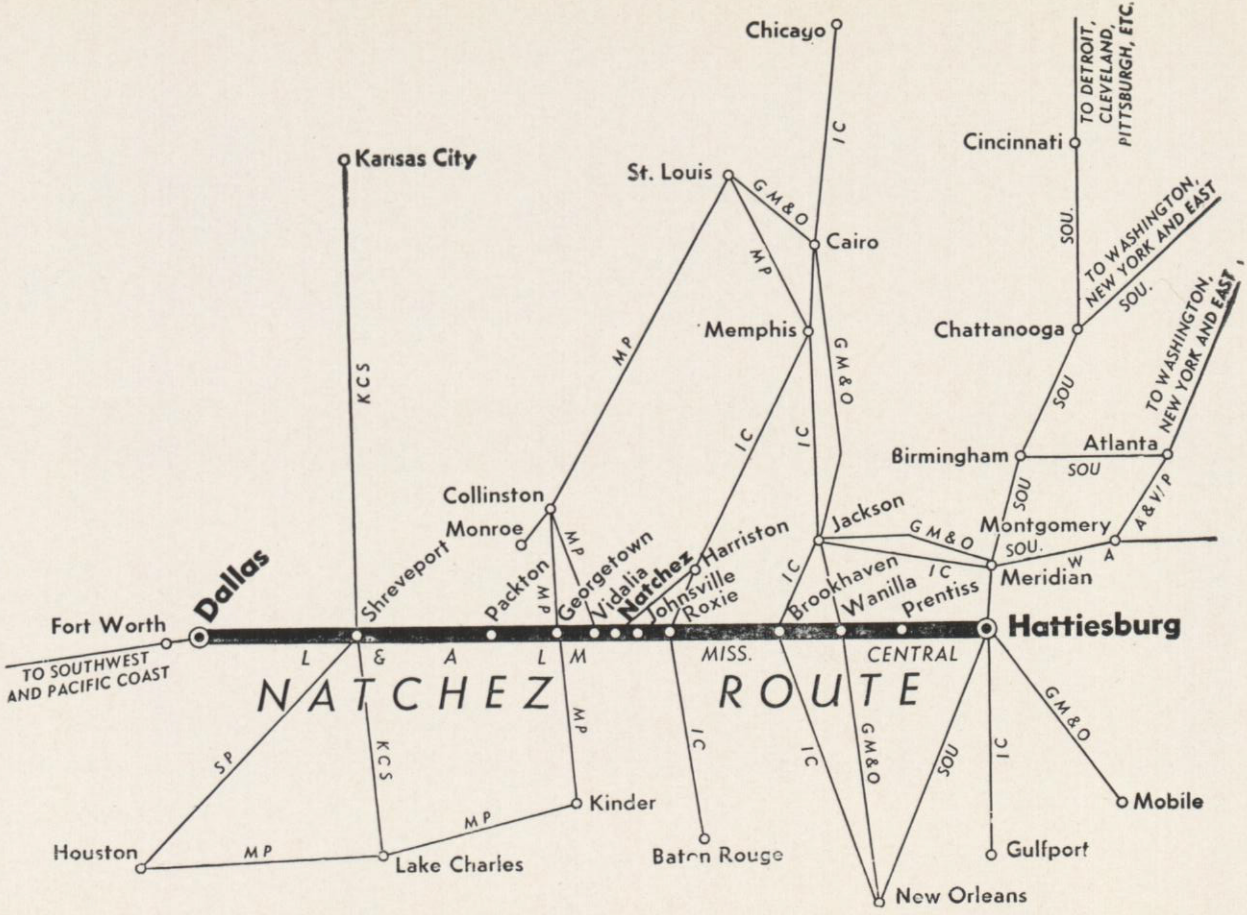
TABLE G

Inventory of Equipment December 31, 1964 and 1965

	Total Dec. 31, 1964	Added or reclassified	Retired	Total Dec. 31, 1965
Locomotives:				
Freight, diesel-electric	10		1	9
Freight Train Cars:				
Box cars	98			98
Tank cars	2	1		3
Chip cars	5			5
Rack cars	66		5	61
Caboose cars	5			5
Totals	176	1	5	172
Company Service Equipment:				
Camp and other work cars	8			8
Steel dump cars	2			2
Other service equipment	8	1		9
Totals	18	1		19

Mileage operated at close of year

Hattiesburg, Miss. to Natchez, Miss., Main track	148.38 miles
Yard tracks and sidings—Owned	29.58 miles
Yard tracks and sidings—Joint	0.89 miles


Chicago
Kansas City
St. Louis
I C
G M & O
Cairo
TO DETROIT, CLEVELAND, PITTSBURGH, ETC.
Cincinnati
SOU.
TO WASHINGTON, NEW YORK AND EAST
SOU.
M P
Memphis
G M & O
Chattanooga
K C S
SOU
TO WASHINGTON, NEW YORK AND EAST
Birmingham
SOU
Atlanta
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Monroe
Jackson
G M & O
Montgomery
SOU.
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Meridian
M P
Packton
M P
Georgetown
Vidalia
Natchez
Harriston
Johnsville
Roxie
I C
Brookhaven
I C
Wanilla
Prentiss
Dallas
Shreveport
Fort Worth
Hattiesburg
TO SOUTHWEST AND PACIFIC COAST
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MISS. CENTRAL
ROUTE
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Kinder
M P
Houston
M P
Lake Charles
Baton Rouge
Gulfport
New Orleans